

January 11, 2002

**TO:** Senator Sid Snyder, Chair  
Senator Dan McDonald  
Representative Jack Cairnes  
Representative Jeff Morris  
Will Rice, Acting Director, Department of Revenue  
Marty Brown, Director, Office of Financial Management

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** JANUARY 10, 2002 REVENUE COLLECTION REPORT

Despite the national recession and rising unemployment locally, General Fund-State tax receipts were well above the forecast in the December 11 - January 10 collection period. Collections exceeded the estimate for the month by \$34.0 million. Higher than expected Revenue Act tax payments (retail sales, business and occupation, use, public utility and tobacco products taxes) and estate tax payments accounted for the positive variance. Cumulatively, collections are \$43.9 million higher than expected in the two months since the November forecast. However, special factors, not a stronger economy, accounted for more than \$20 million of this month's higher than expected revenue. Two large estate tax payments (one of \$2.2 million and one of \$14.0 million) accounted for nearly half of this month's \$34.0 million variance. In addition, an audit adjustment accounted for \$5.5 million of this month's higher than expected Revenue Act receipts. Still, special factors aside, revenue was higher than expected, primarily due to strong auto sales and aircraft deliveries in November.

Although higher than expected revenue this month was a pleasant surprise, it does not necessarily indicate that the economy is significantly better than was assumed in the November forecast. Employment continues to fall, with U.S. employment declining 198,000 in December. The U.S. economy has lost about 950,000 jobs since September. At the state level, the unemployment rate rose to 7.0 percent in November, well above the U.S. November rate of 5.7 percent. It is expected to rise as Boeing continues to cut employment. To the extent that much of this month's higher than expected revenue was due to auto sales boosted by an aggressive zero percent financing promotion, this month's strength may be borrowing from future sales and may be offset by weaker growth in the next several months.

Revenue Act collections in the December 11 - January 10, 2002 collection period (reflecting November 2001 business activity) were 1.4 percent above a year-ago (adjusting for special factors). This is up from last month's 0.6 increase. While revenue growth has been positive the last two months, revenue is 1.1 percent below the year-ago level for the fiscal year to date and revenue is down 2.1 percent for the last three months. Despite this month's strong performance, the underlying trend of revenue growth remains one of deceleration.

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Analysis of preliminary tax payment data for 5,800 of the largest excise taxpayers this month indicates weakness in most sectors. Parts of retailing, manufacturing and the service sector were exceptions. Strong auto sales (+12.3 percent) contributed to a modest 2.8 percent overall increase in tax payments from the retailing sector. Tax payments from the general merchandise sector were also relatively strong, up 9.5 percent. Most other retailing sectors were weak, with most showing year-over-year declines in tax payments. The largest decline among retailers was a 16.1 percent drop in tax payments reported by furniture and household equipment retailers. Tax payments from the service sector (with the exception of the hotel/motel sector) were modestly higher than a year-ago. Most other sectors showed year-over-year declines this period. Preliminary data show that taxes paid by the construction sector were more than 16 percent below the year-ago level and the wholesaling sector reported a drop in tax payments of more than 10 percent.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$13.4 million above the forecast in December. Cumulatively, in the two months since the November forecast Non Revenue Act receipts are \$24.4 million more than expected. This month much higher than expected estate tax payments (\$16.5 million) more than offset weaker than expected real estate excise tax and property tax (state levy) receipts. Two large estate tax payments, one for \$2.2 million the other for \$14.0 million, accounted for virtually the entire variance. While estate tax payments of over a million dollars occur from time to time, for the first nine months of calendar 2001, the average individual estate tax payment was around \$50,000 and total estate tax estate receipts averaged less than \$8.0 million a month.

Real estate excise activity weakened in November (November closings reflecting real estate excise taxes paid to the state in December) as weak prices more than offset higher sales for the second month in a row. Taxable activity was down 7.4 percent statewide after falling 5.9 percent last month. The number of transactions again increased due to low mortgage rates. But the higher volume was more than offset by weak prices with the average value per transaction again declining for the month. King County accounted for virtually all of the statewide weakness. Taxable activity declined 21.5 percent for the month and is down 9.8 percent for the year-to-date. Excluding King County, real estate activity increased 4.0 percent for the month and is up 10.9 percent for the year.

Department of Licensing General Fund collections were a little higher than expected both for the month and cumulatively since the November forecast.

The attached table 1 provides a comparison of collections with the November forecast for the December 11 to January 10, 2002 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**January 10, 2002 Collections Compared to the November 2001 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
<b>December 11 - January 10, 2002</b>				
Department of Revenue-Total	\$939,030	\$972,936	\$33,905	3.6%
Revenue Act** (1)	625,945	646,474	20,529	3.3%
Non-Revenue Act(2)	313,086	326,462	13,376	4.3%
Liquor Sales/Liter	7,568	7,782	215	2.8%
Cigarette	5,410	5,292	(118)	-2.2%
Property (State School Levy)	258,404	257,520	(885)	-0.3%
Estate	8,189	24,051	15,861	193.7%
Real Estate Excise	29,358	26,792	(2,566)	-8.7%
Timber (state share)	0	0	0	NA
Other	4,156	5,025	869	20.9%
Department of Licensing (2)	552	640	87	15.8%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$939,583</b>	<b>\$973,576</b>	<b>\$33,993</b>	<b>3.6%</b>
<b>Cumulative Variance Since the November Forecast (November 11 - January 10, 2002)</b>				
Department of Revenue-Total	\$1,968,537	2,012,210	43,673	2.2%
Revenue Act** (3)	1,242,603	1,261,855	19,252	1.5%
Non-Revenue Act(4)	725,935	750,355	24,421	3.4%
Liquor Sales/Liter	14,163	15,158	995	7.0%
Cigarette	11,012	11,779	768	7.0%
Property (State School Levy)	589,071	596,223	7,151	1.2%
Estate	14,755	31,219	16,465	111.6%
Real Estate Excise	61,965	58,586	(3,379)	-5.5%
Timber (state share)	2,787	3,134	348	NA
Other	32,183	34,256	2,073	6.4%
Department of Licensing (4)	1,093	1,300	206	18.8%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,969,631</b>	<b>\$2,013,510</b>	<b>\$43,879</b>	<b>2.2%</b>

1 Collections December 11 - January 10, 2002. Collections primarily reflect November 2001 activity of monthly taxpayers.

2 December 1-31, 2001 collections.

3 Cumulative collections, estimates and variance since the November 2001 forecast; (November 11-January 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the November 2001 forecast;(November 2001 & December 2001) and revisions to hi

\* Based on the November 2001 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**December 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>November 11 - December 10, 2001</b>				
Department of Revenue-Total	\$1,039,275	\$1,039,275	(\$0)	-0.0%
Revenue Act (1)	615,381	615,381	(0)	-0.0%
Non-Revenue Act(2)	423,894	423,894	(0)	-0.0%
Liquor Sales/Liter	7,375	7,375	0	0.0%
Cigarette	6,487	6,487	0	0.0%
Property (State School Levy)	338,703	338,703	(0)	-0.0%
Property tax collections	338,703	338,703	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	7,169	7,169	(0)	-0.0%
Real Estate Excise	31,794	31,794	0	0.0%
Timber (state share)	3,134	3,134	0	NA
Other	29,231	29,231	(0)	-0.0%
Department of Licensing (2)	660	660	(0)	-0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,039,934	\$1,039,934	\$0	0.0%

**Cumulative Receipts: November 11 - December 10, 2001 & Revisions to History**

Department of Revenue-Total	1,039,275	\$1,039,275	(\$0)	-0.0%
Revenue Act (3)	615,381	615,381	(0)	-0.0%
Non-Revenue Act(4)	423,894	423,894	(0)	-0.0%
Liquor Sales/Liter	7,375	7,375	0	0.0%
Cigarette	6,487	6,487	0	0.0%
Property (State School Levy)-net after transfer	338,703	338,703	(0)	-0.0%
Property tax collections	338,703	338,703	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	7,169	7,169	(0)	-0.0%
Real Estate Excise	31,794	31,794	0	0.0%
Timber (state share)	3,134	3,134	0	NA
Other	29,231	29,231	(0)	-0.0%
Department of Licensing (4)	660	660	(0)	-0.0%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,039,934</b>	<b>\$1,039,934</b>	<b>\$0</b>	<b>0.0%</b>

P-Preliminary. Reported in the December 10, 2001 collection report.

R Revised data.

1 Collections November 11 - December 10, 2001. Collections primarily reflect October 2001 business activity of monthly taxpayers.

2 November 1-30, 2001 collections.

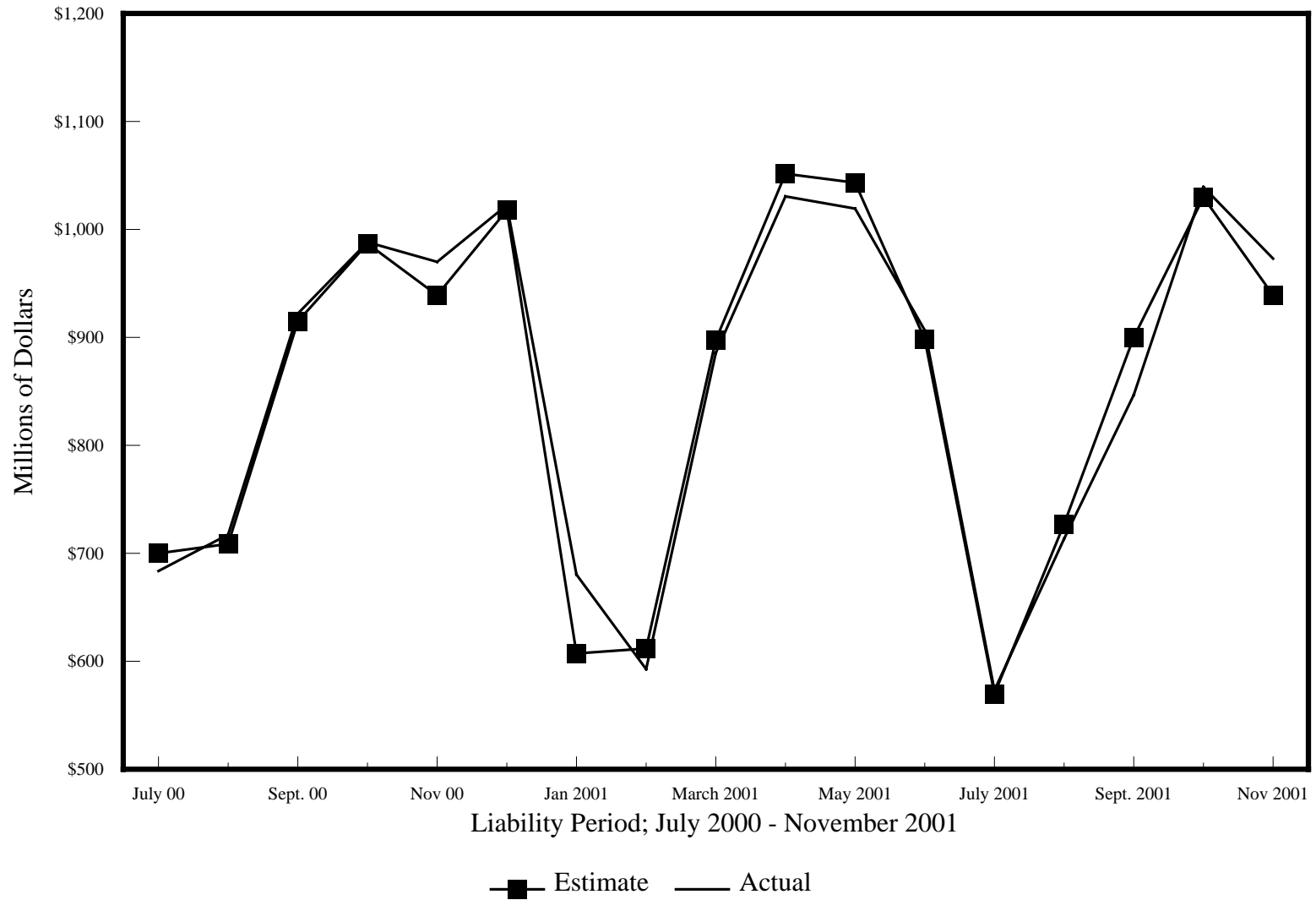
3 Cumulative variance for since the November 2001 forecast: November 11 - December 10, 2001 & revisions to history.

4 Cumulative variance: since the November 2001 forecast (November 2001 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

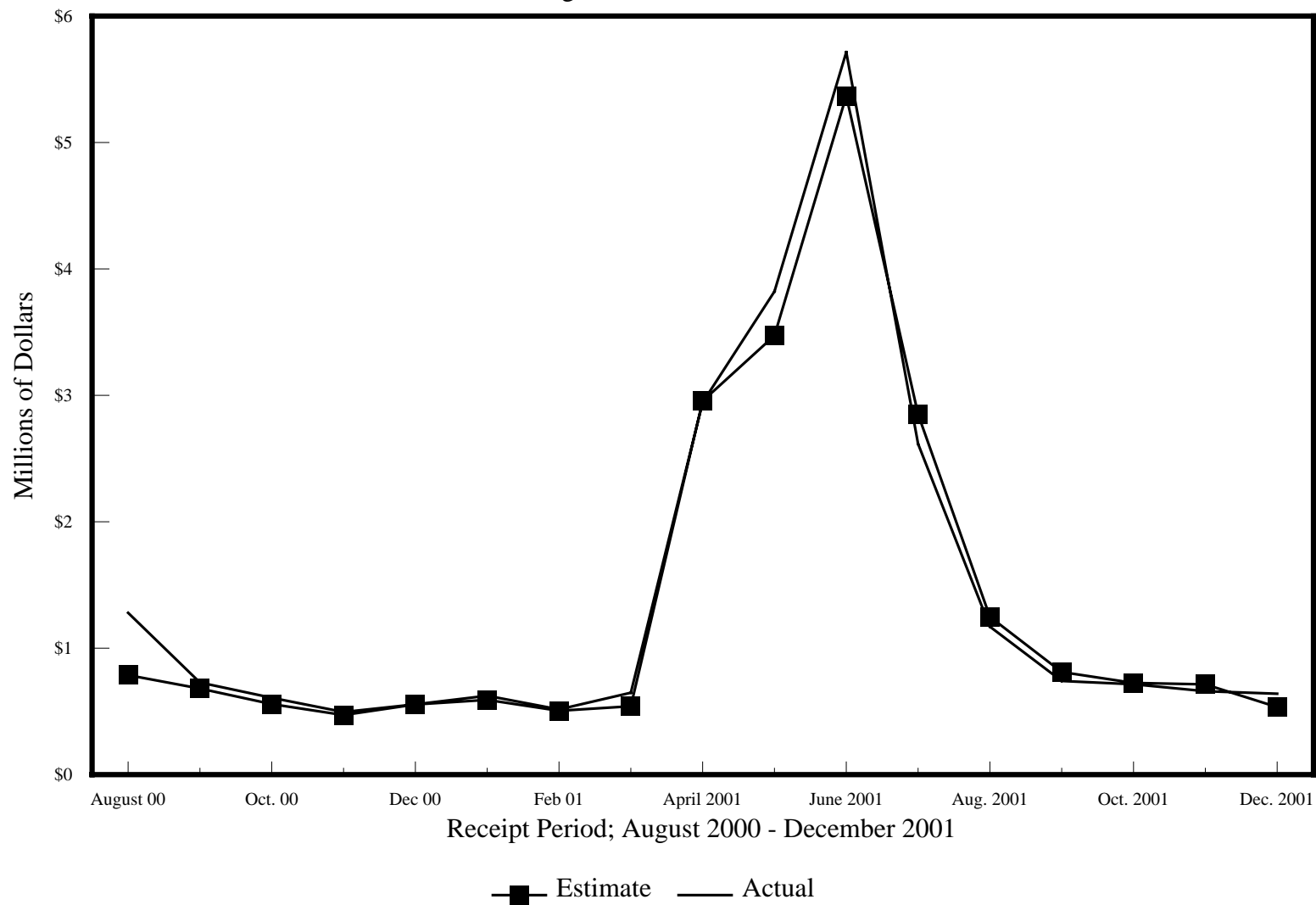
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to November 2001



# Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to December 2001



# Revenue Act Net Collections

Year-over-Year Percent Change

